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Allstate Corporation Q4 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions) Your first question comes from Jay Gelb - Barclays Capital.

Jay Gelb - Barclays Capital

On the capital position, with the significant erosion of value, with investment losses accelerating, and S&P cutting the rating, what level of comfort do you have that you won't need to raise fresh equity capital in 2009?

Thomas J. Wilson

We feel comfortable with where we are with our capital position today and maybe take those in reverse order, while S&P reduced our rating, it will have no impact on our business, and they cut it double-A-minus so that's exactly a terrible rating.

Secondly, with respect to the things that could affect our capital position, as Don went through, if you look at the two that impacted us in 2008, it was significant catastrophes and we have talked at length about our risk mitigation programs, the reinsurance activity.

And in the investment portfolio we are obviously maintaining high liquidity so that we can continue to realize the cash that comes off that portfolio.

I want to be very clear about something. In the portfolio, we collected \$8.6 billion of cash last year, which was \$3.0 million less than we thought we were going to get. And when you look at the amount of cash relative to the market value, or the carrying value, of those securities, it's relatively high. In total it's about 12% but when you look at some of the securities that have been marked down the most, like if you take RMBS, we received 42% of the market value of that in cash in 2008.

So we feel like we have good strong cash flow. We have ourselves positioned so we don't sell anything and we have the strength of our auto insurance operations continuing to generate a good return. So we feel good about 2009.

Jay Gelb - Barclays Capital

On the Allstate Financial business, I believe the target RBC ratio is 300%. Can you give us a sense of where that is as of year end?

Thomas J. Wilson

We would be close to what we consider our target. I don't want to give you the number because I've been told that we are not allowed from a legal and regulatory standpoint, regulatory in particular, to be throwing that around in terms of selling. We're at our target, how about that?

Operator

Your next question comes from Joshua Shanker – Citigroup.

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